ASEAN, JAPAN, AND THE PRC: EMERGING ECONOMIC RELATIONS AND PIVOTAL ROLES FOR TAIWAN[1]

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1. Introduction

Even without September 11, the East Asian economies were already in a state of flux in 2001. After almost four years of economic hardship as a result of a financial turned economic crisis that started in Thailand in 1997, most affected economies in East Asia notably Indonesia, Thailand and Korea are still trying to get back to their economic life that existed in the pre-crisis period. Some were more successful than the others (in their economic recovery), but overall these East Asian countries have learned important lessons that should help them avoid the same mistakes again in the future.

In the meantime, the events in the past four years have also redefined economic relationships among countries in East Asia. Japan was instrumental in organising various financial assistance to these troubled countries, but itself is still mired in economic stagnation that has been going on for more than ten years. The People's Republic of China is probably the only economy in East Asia that has totally escaped the negative impact of the East Asian economic crisis, and indeed the only economy that has profited from it by being the only bastion of growth in the East Asian region during the past four years. During the same four years, however, all countries in South-East Asia have managed to bind themselves together in a new regional grouping. The new ASEAN which now consists of all 10 nations in South-East Asia promises to be an economic force to be reckoned with in the future. With the economic troubles in Japan which has forced it to play less role of the only 'Western' economic power of the East and more role as a more participatory economic partner of the Eastern economies, the real rise of economic power of the PRC, and the long- established potential of ASEAN as a source of economic power in the East, a new economic relationship has emerged. It is this new 'Triangular Economic Relations' that poses a challenge to our understanding and appreciation of the new economic paradigm in the East Asian region.

By Triangular Economic Relations is meant special

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relationship between any pair of countries with a possibility of involvement or intervention from the third country or party. These three countries or parties must possess equal strength or power, real or perceived, and this involvement or intervention from this third party is often conditioned by the need or desire to establish partnership or alliance with one or both of the previous two parties to enhance the eventual triangular relationship, or to upset the prior bilateral relationship for a certain purpose or objective. The resulting triangular relationship becomes complicated because each of the three members can equally effect changes in the consequences or environment surrounding the three members. Each member will be able to establish its own strategies to deal with each of the other two members, or the strategies of two members against the third member, with different outcomes or results. To understand the true nature of this Triangular Relations is to be able to predict the outcome of future events. The most celebrated case of Triangular Relations in human history is probably the relationship among the three states in China during the Third Century A. D. which we learn from the Romance of the Three Kingdoms. Other cases of Triangular Relations may include the involvement of Europe during the Cold War between the U.S. and former Soviet Union. Perhaps another interesting Triangular Relations that is of interest to us in a more recent time is the relationship between the U.S. and Japan in their economic policies toward East Asia in the 80s and 90s. The Triangular Economic Relations that I am talking about in this paper is the relationship between Japan, the PRC, and ASEAN.

In this short paper, I will argue that each of the three parties, Japan, the PRC, and ASEAN, will be in a position to benefit from partnership or alliance from any of the two pairs. For example, in November last year, the PRC proposed China-ASEAN Free Trade Agreements or FTA, which, once materialised, could act as an economic bloc against Japan or enhance the position of some countries in ASEAN, say, Thailand and China in their bargaining power regarding agricultural policy of Japan. It does not matter whether or not the prospect of such scenario can be conceived as a threat to Japan, Japan could not just sit still and let this event pass it by. That is why Japan quickly came up with its own Japan-ASEAN FTA in December 2001 despite the fact that a month earlier, it just gave a cold shoulder to ASEAN overture for an idea at the ASEAN Summit in Brunei. It is possible that the greatest good could happen to all three players if they can strike an effective partnership or alliance with one another, but such partnership may not be forthcoming or may be prevented by certain factors or considerations. In a familiar jargon of game theory, before Nash Equilibrium is reached where the greatest good or the greatest welfare of the whole East Asian community is achieved, one country may form a collusion or coalition with the second country, and through non-cooperative strategies, will be able to extract rent from the third. Therefore, the Triangular Relations in the beginning may bring about interesting developments that challenge the understanding the true situations which can have direct or indirect bearings upon future outcomes. My hypothesis here is that, to be able to forge effective

partnership with any of the two members, each member should possess equal strength. Each member will need to get rid of its own weaknesses, solve its own problems in order to improve its own position, and constantly devise ways to move ahead of competitors or opponents. While this process is going on, the third member or party will not just sit still, but will try to improve itself and try to penetrate the established partnership or alliance in order to avoid being exploited or to share increasing benefits. Eventually, Nash Equilibrium will be reached which gives the most efficient or best state of affairs. At the end, all may gain because the Triangular Relations will keep all partners efficient and alert despite the initial period of possible conflict and competition.

But then outside this Triangular Relations, there are other actors or players in East Asia who can exert their own influence to the ways this triangular game is played. Taiwan is one such player in East Asia, Korea and Australia and New Zealand or the CER countries are another. This could complicate the picture even more, but let us start with the first precondition for an effective Triangular Relations, that is how to get rid of one's own weaknesses to become a good partner in a Triangular Relations.

2. How to Get Rid of Weaknesses to Be a Good Partner?

As mentioned earlier, most countries in East Asia either then, that is 5 years ago, or now, have suffered from some effects of economic slowdown. To form an effective economic partnership, the causes of this economic slowdown must be corrected. Let us start with Japan first. We have seen Japan being diagnosed with all kinds of economic illnesses at present: Lack of growth, price deflation, unemployment, non- performing loans in banking as well as other real sectors, and so on. It would be easy if there is a single cause of these economic problems, but even among Japanese experts themselves, they cannot decide among themselves what exactly are the causes of the present Japanese economic troubles. Two months ago I had a chance to interview many Japanese economic experts in Tokyo, and I can say that the views were all different. One view would say that Japanese economic problems is on 20-30 per cent structural but 70-80 per cent balance sheet problem. So, to put too much emphasis on structural issues would be either wrong or inefficient use of time and efforts. The second scholar said that the problem was about half-half, that is 50 per cent structural and 50 per cent balance sheet. Yet the third scholar believed that the Japanese problem was definitely structural.

This third view seemed also to be the view of the Japanese government, as the document prepared by the Japanese cabinet office which came out in the middle of last year had put the structural problems of non-performing loans in the banking and other corporate sectors on top of the reform programs that the government will undertake. They would try to get these bad loans or bad debts out of the balance sheets so that the banks could lend again, and the companies could function again. They might even consider nationalise problem banks if there was no other way out. So, this is the first set of problems that they want to tackle.

The second set of problems is about deflationary pressure. Normally we fear inflation more than deflation because normally it is more difficult to control inflation than deflation. But the present deflation in Japan is very stubborn and difficult to get rid of. It has been said that the government has tried all their might to make the money cheap by lowering the interest rate, which is almost 0 per cent now, but without much effects on aggregate demand which can push the economy out of deflation and recession. When this does not work, the government tried fiscal policy by increasing its own public spending. It had been said that the government had pumped trillions of yen into the economy, yet the result was not good. But they cannot simply stop it now because if the households and the public are not spending, and the government is also not spending, the situation could get worse quickly. Before the end of the last budget year in Japan, the government has to engage in mid-term budget increase. They need to keep the economy moving until some other correction techniques could be found.

One of these other correction techniques may be the exchange rate policy. When all else fails, devaluation of the yen may be a way out because the expected effect on the increase of demand for Japanese exports will stimulate the Japanese economy. But this may not be the right correction method because if the Japanese problems are really structural, using exchange rate policy may provide a temporary help, but will not get to the root causes of the problems. Moreover, using cheap yen policy is likely to hurt ASEAN economies which are still suffering from economic crisis. It may trigger another round of competitive devaluation that not only will create instability in the region, it may also neutralise the corrective effect within Japan itself.

The next problem is about growing unemployment in Japan. Unemployment rate of over 5 per cent may look big in Japan because, in Japan, where lifetime employment was used to be the norm of business practices, they were not used to having Japanese population having nothing to do. But in most industrialised countries, unemployment of this size is not considered serious. It may even be considered normal or not unusual. The state or the government will need to put its social security or social safety net system in place to help these people until the economic activities in the economy improve, and the people will find their jobs again. Still on this issue, I cannot help but imagine that if Japan had adopted a more open immigration and employment policy 10 or 20 years ago, the problem that we see today might not have happened, or not with the same severity. It is not necessary that having more foreign workers in Japan always mean higher unemployment rate, because different type of work and different wage structures could redefine labour market situations in Japan, which could have positive repercussion on industrial cost structure and changes in consumption and demand patterns in Japan. I could add here that the foreign worker policy in Taiwan is a correct one that indeed Japan could have adopted long time ago.

Finally, on the internationalisation of Japan. It seems to me that in

order for Japan to play a role of world economic leader, it may need to change its perception that Japan is just a small country, but indeed a very big and powerful country. This new sense of confidence may redefine its relations with other countries around the world, especially with countries around East Asian region. Japan may need to behave more like a 'big brother' with a keener sense of sacrifice and goodwill towards other developing countries in the region.

Now let us turn to the People's Republic of China. I think most of people have been surprised that the PRC has grown so fast in the last 10 to 15 years. This has become possible for at least two reasons. One is the realisation that state planning and market control is a futile way to develop the economy, and the other is that, once the force of the market is accepted, the best policy is to try to maintain the balance in the market by good macroeconomic managements such as keeping the price at an appropriate level, adjust consumption, saving and investment; increase the productivity, and so on. The enormous capital that flowed into the PRC in the last 15 years, and a big chunk of that actually came from here (Taiwan), has helped transformed the PRC from a socialist, state-controlled economy into a bustling, free-market economy. At the rate that the PRC is growing at present, it may catch up with Japan and the US in terms of its per capita income within 20 years. The People's Republic of China truly has the potential to be a world economic leader.

But things may go wrong in the PRC economically and politically. Take economics first. To me, the most worrying problem that may stump the PRC is the very rapid disparities and inequalities among the Chinese people that have been brought about by very rapid growth. This may force the state or the government to slow down economic growth and probably will have to become more socialistic by putting more public money on redressing social and economic disparities. The increased income and wealth of the mainland Chinese people may also bring about rising expectation on the political front. They may need greater political freedom and democracy which could upset the present political structure. Do not forget that the PRC is still politically a socialist country. If it does not have programs to gradually democratise the country, it could run into more political troubles in the future.

What about countries in ASEAN? In my model, ASEAN countries must combine themselves together to act as one economic and political power to play an effective and meaningful role in this Triangular Relations. Many people do not believe that this is possible, but I think it is possible because there is no other choice. ASEAN countries simply have to pull themselves together and act as a group because, individually, they are too small to exert their own individual power. In the 1970s and 1980s, ASEAN was quite successful as a political grouping. This turned out to be a smart move by ASEAN, although it was set up as an economic grouping rather than political grouping because at that time, there were not much economic activities within ASEAN itself. Now ASEAN do trade more with one another. If they could agree to work closely

together, they can become a powerful economic grouping in their own right.

But as many ASEAN economies are still suffering from economic crisis, they need to continue to get out of this crisis first by continuing their economic reforms. They also need to remain competitive by constantly adjusting to changing economic environments. The more established ASEAN economies are no longer low-cost economies, and they can no longer rely on low labour cost as their strong suit in their development strategies, but, instead, should rely on the skills and experience that they have developed in the past 20 years to move the countries forward. I believe that greater democratisation and political stability in the ASEAN region is also a plus factor that will help ASEAN as a group to become a strong partner in my Triangular Relations.

3. Bilateral Relations and Third Party Interventions

To go back to the earlier part when I said that any two countries may form partnership to extract rent from the third member in the Triangular Relations, this is unlikely to be a stable situation in the long run because the third member will react by changing its strategies that either allow it to penetrate the alliance or to usurp the alliance to prevent the realisation of rents or benefits. This is the dynamics of Triangular Relations that may take a long time to play itself out before a stable equilibrium is reached. But even when this equilibrium is reached, there is no guarantee that it will last forever, but it is likely that the equilibrium will be disturbed again in a changed environment, and the process of adjustments continue. This makes our attention to these problems interesting because we have to be observant of possible changes in members' strategies all the time.

Let us look at the three possibilities that a bilateral alliance could be formed amongst Japan, the PRC and ASEAN. The first alliance can be between Japan and the PRC; the second between the PRC and ASEAN; and the third between ASEAN and Japan. With regard to Japan and the PRC, although it is unlikely at this juncture that the two countries could form an alliance for any purpose, there is a possibility that Japan may decide to create a stronger economic relations with the PRC. Japan already has the largest investment in the PRC in Asia, and has become a strong partner of China in the production of manufactured goods. This may be true, but the PRC may also want to diversify its investment partners and does not want to depend on Japan alone for major investment funds. Moreover, ASEAN as a group may find this situation intolerable, that all the investment funds from Japan go to China. So, they will try to do everything they can to divert Japanese funds from China to ASEAN. Not only that, ASEAN governments will also try to win special favour from both Japan and China for their own benefits. For instance, Thailand had recently asked China for special tax treatments that China gives to its bordering ASEAN countries like Vietnam, Lao PR, or Myanmar. This kind of maneuvering and strategic positioning goes on all the time in this Triangular Relations,

The second bilateral alliance is between the PRC and ASEAN. I have mentioned earlier about this Chinese coup during the last ASEAN Summit in Brunei last year when the Chinese Prime Minister, Mr. Zhu Rongji had proposed the China-ASEAN FTA within the next 10 years. Personally I don't think this will happen quickly or easily because a lot of things must be put in place before this could happen. For example, the PRC will have to become more established economically and politically before serious negotiations and agreements will take place. The more-developed half of ASEAN countries may also have to develop their economies and find their new competitive industries that complement rather than compete with more traditional, low-cost manufactured goods from the PRC, while, at the same time, the less-developed half of ASEAN countries may find their own ways to work with the new China. For example, the new PRC may find it necessary to divest outside mainland China, and mainland Southeast Asia could be a natural growth area for China in the future.

As a result of this Chinese coup, the Japanese Prime Minister, Mr. Koizumi, could not sit still. He quickly counter-proposed Japan-ASEAN FTA. Those economists who follow the pattern of economic foreign policy of Japan in the past several years may be surprised by this move. This is because as a trading nation, Japan must depend on global, free and open market system. Japan always supported multilateral trading systems in the past as a means to advance its foreign economic policy. Suddenly this position has changed. Now Japan professes to support both bilateral and multilateral trading arrangements at the same time. Its FTA with Singapore is a benchmark decision in this respect. Its FTA with Korea is probably in the making or in the preparatory stage. So, Japan-ASEAN FTA is nothing unusual at all in the light of recent developments. In fact, under current situations, the Japan-ASEAN alliance has a better chance of success than the China-ASEAN alliance because Japan is more established economically and politically. Still, to be successful, Japan must be willing to play this game with ASEAN, which may require Japan to sacrifice or give up some of its benefits or positions in exchange for stronger alliance with ASEAN. In short, this move by the Japanese Prime Minister was a smart and appropriate response to the Chinese Prime Minister.

To sum up, what is the main moral of my hypothesis and analysis so far? Despite the possibility of confrontation and conflict, I think this Triangular Relations between ASEAN, Japan and the PRC is a healthy one because it will keep every country constantly on its toes. It is no doubt that even Japan is now running scared of its future, and this new-found interest in Triangular Relations with China and ASEAN could be a way out of its economic difficulties. For the PRC and ASEAN, this Triangular Relations with Japan as an active, competitive player will require that they also remain stronger and competitive. All this will mean that whatever the configurations of bilateral relations between two members and the possibilities of interventions from the third member, all will gain

from efficiency and constant awareness of competition.

In the Romance of the Three Kingdoms we have seen that progress and security was maintained when the three states remained strong and wise. And stability was achieved for many years. It was when some of the leaders of these states neglected their duties and weakened their positions that this equilibrium broke down, leading to the defeat of one state by another. Eventually all three kingdoms fell by an outside force. I think we can learn from the lesson of history, and make the best use of the opportunities open by this health Triangular Relations.

4. The Implications for Taiwan

I will now discuss another important issue that so far has been left outside the main discussion above. This is the role of Taiwan within the emerging relations between ASEAN, Japan and the PRC. Although Taiwan is an important economic player in East Asia, its current political relations with the PRC makes it very difficult for Taiwan to play a full and active role as a regional economic and political power in East Asia. In the Triangular Relations model that I have developed above, while it is already difficult for the third member to intervene or disturb the alliance between the other two members, the difficulties for members outside the Triangle such as Taiwan to get involved (to prevent rent seeking from other members, or share the accrued benefits) would be even greater. There are many ways in which Taiwan could amend the situations, and the remainder of this paper will discuss these many ways.

First of all, like the precondition to take part actively in meaningful bilateral alliance, members in question must get rid of its economic weaknesses before they can become an effective member. Taiwan is no exception to this rule. Indeed, it is imperative that Taiwan gets rid of its economic weakness quickly before it considers any future economic strategies. Some may argue that the present economic recession, probably the worst in its 50-years history, is partially brought on or exported from outside, especially the recession in the US and Japan, but there is no denial that the situations inside the Taiwanese economy are also to blame for this. The country must continue to reform and restructure to face the challenges of increased globalisation and global competition. Once this is done, and Taiwan recovers from its recession, it will be in a better position to plan strategies in response to the strategies of different players.

Take the strategies of Taiwan towards its most important opponent (or ally, depending on how one looks at it): the PRC. In the past 50 years or so, there has been a gradual shift in the essence and emphasis of Taiwan towards mainland China. It started with the impending wish to return to the mainland but ended with the desired to be ‘left alone’ as a sovereign nation once it has realised that the earlier wish was not feasible. On accepting the fact that the increasingly stronger and more prosperous government in Mainland China is unlikely to let go of Taiwan, it is probably better for both sides to conclude an agreement of some sort that eliminates or

erases the current state of political suspension. The prospects of peaceful and harmonious relations between the PRC and Taiwan could enhance the economic prosperity of both sides even further.

The chance of this happened in the near future can be made possible for at least 3 reasons. One is that there is a drastic change in economic conditions in Mainland China. In the past, the citizens and governments of Taiwan totally objected to the idea of unification with the mainland because of disparities in economic and political well- being. Now that Mainland China is growing quickly, and its systems of economic, and political, well-being could, one day, even exceed that of Taiwan, the chance of the Taiwanese aversion to life in mainland China could be assuaged or removed. The second reason is that there is a perceived moderation of political leaders on both sides to find peaceful solution to this political question. To cite some examples: President Chen Shui-bian in his New Year Message on January 2002 promised six administrative goals for his government in the new century, and one of this promises was the reconciliation of cross-strait relations and the establishment of a permanent peach between Taiwan and the PRC. The PRC agreement to accept Taiwan in its new agreed-upon name, Chinese Taipei, as a member of APEC with equal economic status as that of the PRC itself is already an extraordinary event. More recently, two cabinet decisions can be looked upon as a positive movement towards a better relationship between Taiwan and the PRC. The Taiwanese government now allows Taiwanese chipmakers more freedom to invest in mainland China, bypassing the fear of losing its sensitive technology to its potential rival in exchange for a long term benefits from the vast market on the mainland. Similarly, the Taiwanese cabinet also approved draft amendment to the Statute Governing the Relations Between the People of the Taiwan Area and the Mainland Area to allow mainland Chinese investment into Taiwan.

The concurrent entries into the WTO of both the PRC and Taiwan could be the third reasons that could bind both economies more closely, and openly, together. Indeed, the excitement of the prospects of trading and investing more closely with mainland China has created what could be called ‘China Fever’ in Taiwan. Although there are some apprehensions in some quarters in Taiwan on the negative effects of more open trade and investment with mainland China, the majority view in Taiwan seems to be that the long term effects of this WTO membership are to the benefits of Taiwan. For example, Christine Tsung, the Minister for Economic Affairs, gave a strong assurance that Taiwan citizens’ income will rise by 7 per cent, imports by 15 per cent, and exports by 12 per cent as a result of WTO entry. This prospective gains from WTO membership could only reinforce the possibility of the PRC and Taiwan working and being more closely with each other.

If both the PRC and Taiwan can be unified and act as one party or partner in alliance with the other in our Triangular Relations, the effectiveness in their strategies will be much enhanced. But what if the stalemate or political suspension continues? Taiwan then will have a few other choices. The most obvious one in the case

closer PRC- Taiwan alliance is not possible is for Taiwan to work more closely with Japan. Currently Japan provides the largest source of imports of Taiwan, and is the third largest market for Taiwanese exports after Hong Kong and the US. Taiwan and Japan are also close allies on security front when both are beneficiaries of the US strategic defence surveillance and protection. Therefore, the possibility of closer economic relations between Japan and Taiwan is naturally large. In the Second Japan-Taiwan Dialogue organised by the Global Forum of Japan in Tokyo in 2001, several participants on both sides suggested or recommended an FTA between Japan and Taiwan. This form of closer economic relations not only will be a catalyst towards an area-wide economic integration in the long run, it will also help promote and improve economic and structural reforms. On other occasions, there is a wide-spread belief that Japan and Taiwan are already in 'silent alliance'. This is said in recognition of the political sensitivity that exists between the PRC and Taiwan, and that 'Second Track Diplomacy' is being carried out within Japan and Taiwan that involve non- government organisations (NGOs) and private and academic opinion leaders.

Another possibility of closer economic relations is between Taiwan and ASEAN. For more than 30 years, Taiwan has consistently been one of the largest foreign direct investors in ASEAN. Without a doubt, Taiwan has contributed greatly to the economic development of many countries in Southeast Asia. Many ASEAN countries are very appreciative of this and would be willing to work closely with Taiwan. However, most ASEAN countries are mindful of political problems between Taiwan and the PRC, and often are very careful in their dealings with both Taiwan and the PRC. I do not think any of the ASEAN countries would like to 'choose side' because they have goodwill towards both. Perhaps more than any other countries in the world, ASEAN countries have a genuine wish for the peaceful resolution of political problems between Taiwan and the PRC. Had it not been for the fact that these political problems exist, ASEAN could have invited Taiwan to become a member of its association already, that is of course if Taiwan would like to do so. Can Taiwan be a member of ASEAN when it is in Northeast Asian rather than Southeast Asia? Recently, I have read a speech of a former Minister of Foreign Affairs of Taiwan who actually claimed that Taiwan is in Southeast Asia and is a part Southeast Asia! Of course, if this is case, the position of ASEAN would be much stronger.

All this time we have neglected to mention another East Asian country that can have substantial influence upon the configuration and impacts of the Triangular Relations. This country is none other than South Korea. The relationship between Taiwan and Korea has become closer and closer since both have normalised their trading and diplomatic relations with each other several years ago. Both are the examples of 'true' newly industrialised economies where all agriculture, manufacturing and services are all represented. Both are often used as model cases of successful modern economic development although both may differ essentially in their choice of techniques: Taiwan supported small-scale entrepreneurial type of

industrialisation whereas Korea opted for large-scale, state-supported, industrialisation. If these two economies could pull their resources together and act as a single player, they could become another economic force to be reckoned with. In fact, if that happens, we may have to redesign our Triangular model and change it to Quadrangular Relations model which can become even more complex. To a lesser extent, however, the Taiwan- Korea FTA could offer an interesting case for our future study.

The eagerness of the CER countries in promoting free trade and investment in the Asia Pacific region is well known. These are two countries whose livelihood depends very much on foreign trade. Without it, or when trade becomes restricted, the welfare of their people will suffer. Taiwan can always find interest in free trade initiatives in these CER countries, and as such, can always look towards these two countries for any possibility of closer trading relations.

5. Conclusions

In this paper I have tried to analyse the emerging economic relations between two economic powers in East Asia, Japan and the PRC, with a group of Southeast Asian countries, ASEAN. Japan is already an established economic power but with grave and continuing internal economic problems. The PRC is not yet an established economic power but with unstoppable potential to become one shortly. Although these two economic giants could collude and become an economic hegemon in East Asia, the likelihood of that is small as the inclination for political and economic leadership of both countries dictates that they compete with each other. ASEAN is in a natural position to provide bilateral partnership or alliance with any of these real and potential economic powers. In the beginning, such as alliance may be undertaken at the expense of, or undertaken to exploit or seek rent from the third member, but realistically, this third member will always find it necessary to intervene or distract the alliance in some ways to prevent exploitation or rent seeking. Assuming that all members know and can react to the strategies of the other players, an equilibrium may be reached where all parties will be governed by strategies that call for most efficient policies. Low costs and zero profits may be experienced which assures the best use of resources with the greatest benefits to all consumers in the international community. This is a best state that a general free trade and investment can bring.

I have indicated in this paper that to reach that state and to be able to reap all the benefits from free and open competition, all members or players must maintain stable and healthy economies. There is a common understanding about the rules that govern good economic management such that the possibility of a Triangular Relations will require all members or players to be in good economic shape. This may call for economic policy based on market mechanism and timely adjustments to changes in economic conditions and rules of competition. At the end, despite the early or original attempt to exploit the weaker members of the

community, as long as the possibilities of free competition is observed, an equilibrium will be reached where the overall economic benefits are optimal.

Again, the message is clear. The world of today is the world of globalisation where barriers to trade and investment are broken down, and all players compete fairly with one another. These players will have to secure capability, physical as well as human, to play these games effectively. The situation in East Asia involving ASEAN, Japan and the PRC, and other economies outside this triangle, namely, Taiwan, Korea and Australia and New Zealand provides a rich field in which we can study the interplay between these opposing economic forces that will result in the East Asian region continuing to be a most progressive economic region in the world.